

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Rudyard Township	County Chippewa
Fiscal Year End March 31, 2007	Opinion Date July 31, 2007	Date Audit Report Submitted to State September 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952		
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI	Zip 49788
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma		License Number 1101024989

TOWNSHIP OF RUDYARD, MICHIGAN

BASIC FINANCIAL STATEMENTS

March 31, 2007

TOWNSHIP OF RUDYARD, MICHIGAN

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

PERRY ROSS

TOWNSHIP TREASURER

BRUCE BERKOMPAS

TOWNSHIP CLERK

DONNA HALL

TOWNSHIP TRUSTEE

KATHY GAYLOR

TOWNSHIP TRUSTEE

SHARON THOMPSON

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MACPA
OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of the
Township of Rudyard, Michigan
Rudyard, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Rudyard, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of Rudyard, Michigan, as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2007 on our consideration of the Township of Rudyard, Michigan's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Rudyard, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 31, 2007

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 15% from a year ago increasing from \$2,078,098 to \$2,390,409. A significant portion of the increase resulted from a prior period adjustment relating to the accounting for special assessments (See Footnote 10).

A comparative analysis will not be performed in future years because Townships with a population of less than 4,000 people are required to be audited every other year.

In a condensed format, the table below shows the net assets of Township of Rudyard, Michigan.

	<u>Governmental Activities</u> <u>2007</u>	<u>Business-type Activities</u> <u>2007</u>	<u>Total</u> <u>2007</u>
Current Assets	\$ 448,853	\$ 653,415	\$ 1,102,268
Noncurrent Assets	<u>949,883</u>	<u>1,787,359</u>	<u>2,737,242</u>
 Total Assets	 <u>\$ 1,398,736</u>	 <u>\$ 2,440,774</u>	 <u>\$ 3,839,510</u>
Current Liabilities	\$ 24,261	\$ 58,840	\$ 83,101
Noncurrent Liabilities	<u>770,000</u>	<u>596,000</u>	<u>1,366,000</u>
 Total Liabilities	 <u>794,261</u>	 <u>654,840</u>	 <u>1,449,101</u>
 Net Assets			
Invested in Capital Assets - Net of Debt	169,883	1,156,359	1,326,242
Unrestricted (Deficit)	434,592	509,106	943,698
Restricted	<u>-</u>	<u>120,469</u>	<u>120,469</u>
 Total Net Assets	 <u>\$ 604,475</u>	 <u>\$ 1,785,934</u>	 <u>\$ 2,390,409</u>

The current level of net assets for our governmental activities stands at \$604,475, or about 168% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities</u> <u>2007</u>	<u>Business-type Activities</u> <u>2007</u>	<u>Total</u> <u>2007</u>
Program Revenues			
Charges for Services	\$ 27,352	\$ 203,239	\$ 230,591
Operating Grants	10,577	-	10,577
General Revenues			
Property Taxes	193,005	-	193,005
State-Shared Revenues	101,010	-	101,010
Unrestricted Investment Earnings	21,055	17,171	38,226
Other Revenue	24,257	-	24,257
Transfers	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total Revenues	<u>392,256</u>	<u>205,410</u>	<u>597,666</u>
Program Expenses			
Legislative	30,344	-	30,344
General Government	105,500	-	105,500
Public Works	103,485	-	103,485
Public Safety	31,407	-	31,407
Health and Welfare	15,411	-	15,411
Recreation and Culture	6,588	-	6,588
Interest Expense	36,076	-	36,076
Other Expenses	29,224	-	29,224
Park	-	36,170	36,170
Sewer	-	77,746	77,746
Water	<u>-</u>	<u>111,903</u>	<u>111,903</u>
Total Expenses	<u>358,035</u>	<u>225,819</u>	<u>583,854</u>
Changes in Net Assets	34,221	(20,409)	13,812
Net Assets – Beginning	570,254	1,507,844	2,078,098
Prior Period Adjustments	<u>-</u>	<u>298,499</u>	<u>298,499</u>
Net Assets – Ending	<u>\$ 604,475</u>	<u>\$ 1,785,934</u>	<u>\$ 2,390,409</u>

Governmental Activities

The Township's total governmental revenues are comprised of property taxes, revenue sharing, and interest earned on deposits.

The most significant governmental expenses are for general government \$105,500 and public works \$103,485.

Business-Type Activities

The Township's business-type activities are the park, sewer and water. They provide sewer and water service to approximately 262 customers (residential and commercial) each month. Park, sewer and water revenues in 2007 were comparable to 2006. Park, sewer and water expenses were also comparable to 2006.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Road, Township Hall Debt, Park, Sewer and Water Funds.

The General Fund pays for most of the Township's governmental services. The most significant is general government, which incurred expenses of approximately \$74,807 in 2007. These services are largely supported by Property Taxes, Revenue Sharing, and Tribal 2% Funds, which are recorded in the General Fund.

Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Revenues exceeded expectations by \$60,860 for the General Fund. Township departments overall did not exceed the budget, resulting in total expenditures \$59,730 under budget. This caused the General Fund's fund balance to increase from \$196,175 a year ago to \$225,750 at March 31, 2007.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$2,737,242 invested in a broad range of capital assets, including land, buildings, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them). The Township reduced its outstanding debt by \$115,000 to an ending balance of \$1,411,000.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township may grow less than by inflation, before considering new property additions.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township Clerk's office at (906) 478-5041.

Basic Financial Statements

Township of Rudyard, Michigan

Statement of Net Assets March 31, 2007

	Governmental Activities	Business-type Activities	Totals
ASSETS:			
Current Assets			
Cash & Equivalents - Unrestricted	\$ 422,276	\$ 229,591	\$ 651,867
- Restricted	-	65,705	65,705
Investments - Restricted	-	54,764	54,764
Accounts Receivable	9,862	37,805	47,667
Taxes Receivable	10,430	2,115	12,545
Special Assessments Receivable	-	252,533	252,533
Prepaid Expense	6,285	10,902	17,187
Total Current Assets	<u>448,853</u>	<u>653,415</u>	<u>1,102,268</u>
Noncurrent Assets			
Capital Assets (Not Depreciated)	30,000	15,475	45,475
Capital Assets (Net of Accumulated Depreciation)	919,883	1,771,884	2,691,767
Total Noncurrent Assets	<u>949,883</u>	<u>1,787,359</u>	<u>2,737,242</u>
TOTAL ASSETS	<u><u>\$ 1,398,736</u></u>	<u><u>\$ 2,440,774</u></u>	<u><u>\$ 3,839,510</u></u>
LIABILITIES:			
Current Liabilities			
Accrued Liabilities	\$ 133	\$ -	\$ 133
Accrued Interest Payable	14,128	21,887	36,015
Other Liabilities	-	1,953	1,953
Bonds Payable	10,000	35,000	45,000
Total Current Liabilities	<u>24,261</u>	<u>58,840</u>	<u>83,101</u>
Noncurrent Liabilities			
Bonds Payable	770,000	596,000	1,366,000
Total Noncurrent Liabilities	<u>770,000</u>	<u>596,000</u>	<u>1,366,000</u>
TOTAL LIABILITIES	<u>794,261</u>	<u>654,840</u>	<u>1,449,101</u>
NET ASSETS:			
Invested in Capital Assets - net of related debt	169,883	1,156,359	1,326,242
Restricted	-	120,469	120,469
Unrestricted	434,592	509,106	943,698
TOTAL NET ASSETS	<u><u>\$ 604,475</u></u>	<u><u>\$ 1,785,934</u></u>	<u><u>\$ 2,390,409</u></u>

Township of Rudyard, Michigan

Statement of Activities For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Legislative	\$ 30,344	\$ -	\$ -	\$ -	\$ (30,344)	\$ -	\$ (30,344)
General Government	105,500	12,475	6,319	-	(86,706)	-	(86,706)
Public Works	103,485	-	-	-	(103,485)	-	(103,485)
Public Safety	31,407	10,297	-	-	(21,110)	-	(21,110)
Health & Welfare	15,411	900	-	-	(14,511)	-	(14,511)
Recreation and Culture	6,588	3,680	4,258	-	1,350	-	1,350
Interest Expense	36,076	-	-	-	(36,076)	-	(36,076)
Other Expenses	29,224	-	-	-	(29,224)	-	(29,224)
Total Governmental Activities	<u>358,035</u>	<u>27,352</u>	<u>10,577</u>	<u>-</u>	<u>(320,106)</u>	<u>-</u>	<u>(320,106)</u>
Business-type Activities:							
Parks	36,170	12,454	-	-	-	(23,716)	(23,716)
Sewer	77,746	100,493	-	-	-	22,747	22,747
Water	111,903	90,292	-	-	-	(21,611)	(21,611)
Total Business-type Activities	<u>225,819</u>	<u>203,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,580)</u>	<u>(22,580)</u>
Total Primary Government	<u>\$ 583,854</u>	<u>\$ 230,591</u>	<u>\$ 10,577</u>	<u>\$ -</u>	<u>(320,106)</u>	<u>(22,580)</u>	<u>(342,686)</u>
General Revenues:							
Taxes					193,005	-	193,005
State Revenue Sharing					101,010	-	101,010
Other					24,257	-	24,257
Investment Earnings (Loss)					21,055	17,171	38,226
Transfers					15,000	(15,000)	-
Total General Revenues and Transfers					<u>354,327</u>	<u>2,171</u>	<u>356,498</u>
Changes in Net Assets					34,221	(20,409)	13,812
Net Assets - Beginning					570,254	1,507,844	2,078,098
Prior Period Adjustments					-	298,499	298,499
Net Assets - Ending					<u>\$ 604,475</u>	<u>\$ 1,785,934</u>	<u>\$ 2,390,409</u>

See accompanying notes to financial statements.

Township of Rudyard, Michigan

Balance Sheet Governmental Funds March 31, 2007

	General	Road Fund	Township Hall Debt	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash & Equivalents	\$ 214,279	\$ 32,154	\$ 46,950	\$ 128,893	\$ 422,276
Accounts Receivable	-	9,862	-	-	9,862
Taxes Receivable	5,319	-	5,111	-	10,430
Prepaid Expense	6,285	-	-	-	6,285
TOTAL ASSETS	\$ 225,883	\$ 42,016	\$ 52,061	\$ 128,893	\$ 448,853
LIABILITIES:					
Accrued Liabilities	\$ 133	-	-	-	\$ 133
TOTAL LIABILITIES	133	-	-	-	133
FUND BALANCES:					
Unreserved Undesignated	225,750	42,016	52,061	128,893	448,720
TOTAL FUND BALANCES	225,750	42,016	52,061	128,893	448,720
TOTAL LIABILITIES AND FUND BALANCES	\$ 225,883	\$ 42,016	\$ 52,061	\$ 128,893	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	949,883
Long-term notes and bonds payable for governmental activities	(780,000)
Accrued interest payable	(14,128)
Net assets of governmental activities	\$ 604,475

Township of Rudyard, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2007

	General	Road Fund	Township Hall Debt	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 60,733	\$ 87,042	\$ 45,026	\$ 204	\$ 193,005
Licenses & Permits	1,165	-	-	-	1,165
Federal Sources	1,544	-	-	-	1,544
State Sources	105,785	-	-	-	105,785
Local Sources	-	-	-	4,258	4,258
Charges for Services	6,750	-	-	500	7,250
Interest & Rentals	22,226	422	1,238	6,944	30,830
Other Revenue	24,257	-	-	9,162	33,419
TOTAL REVENUES	222,460	87,464	46,264	21,068	377,256
EXPENDITURES:					
Legislative	30,344	-	-	-	30,344
General Government	74,807	-	-	-	74,807
Public Works	40,785	62,700	-	-	103,485
Public Safety	12,685	-	-	929	13,614
Health & Welfare	14,319	-	-	1,092	15,411
Recreation and Culture	3,852	-	-	2,736	6,588
Debt Service	-	-	44,344	-	44,344
Capital Outlay	-	-	-	5,529	5,529
Other Expenditures	31,093	-	-	-	31,093
TOTAL EXPENDITURES	207,885	62,700	44,344	10,286	325,215
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,575	24,764	1,920	10,782	52,041
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	15,000	-	-	-	15,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	29,575	24,764	1,920	10,782	67,041
FUND BALANCES, APRIL 1	196,175	17,252	50,141	118,111	381,679
FUND BALANCES, MARCH 31	\$ 225,750	\$ 42,016	\$ 52,061	\$ 128,893	\$ 448,720

Township of Rudyard, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2007

Net Changes in fund balances – total governmental funds	\$ 67,041
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Repayment of principal	10,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(41,088)
Interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues.	<u>(1,732)</u>
Changes in net assets – statement of activities	<u>\$ 34,221</u>

Township of Rudyard, Michigan

Statement of Net Assets Proprietary Funds March 31, 2007

	Business-type Activities			Total
	Enterprise Funds			
	Parks	Sewer	Water	
ASSETS:				
Current Assets				
Cash & Equivalents - Unrestricted	\$ 10,009	\$ 119,786	\$ 99,796	\$ 229,591
- Restricted	65,705	-	-	65,705
Investments - Restricted	54,764	-	-	54,764
Taxes Receivable	-	2,115	-	2,115
Special Assessments Receivable	-	48,809	203,724	252,533
Accounts Receivable	-	22,322	15,483	37,805
Prepaid Expense	-	5,451	5,451	10,902
 Total Current Assets	 <u>130,478</u>	 <u>198,483</u>	 <u>324,454</u>	 <u>653,415</u>
Noncurrent assets				
Capital Assets (net of accumulated depreciation)	<u>59,310</u>	<u>385,919</u>	<u>1,342,130</u>	<u>1,787,359</u>
 TOTAL ASSETS	 <u><u>\$ 189,788</u></u>	 <u><u>\$ 584,402</u></u>	 <u><u>\$ 1,666,584</u></u>	 <u><u>\$ 2,440,774</u></u>
LIABILITIES:				
Current Liabilities				
Accrued Interest Payable	\$ -	\$ 5,600	\$ 16,287	\$ 21,887
Other Liabilities	-	260	1,693	1,953
Bonds Payable	-	21,000	14,000	35,000
 Total Current Liabilities	 <u>-</u>	 <u>26,860</u>	 <u>31,980</u>	 <u>58,840</u>
Non Current Liabilities				
Bonds Payable	<u>-</u>	<u>191,000</u>	<u>405,000</u>	<u>596,000</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>217,860</u>	 <u>436,980</u>	 <u>654,840</u>
NET ASSETS:				
Invested in Capital Assets - net of related debt	59,310	173,919	923,130	1,156,359
Unreserved	10,009	192,623	306,474	509,106
Reserved	<u>120,469</u>	<u>-</u>	<u>-</u>	<u>120,469</u>
 TOTAL NET ASSETS	 <u>189,788</u>	 <u>366,542</u>	 <u>1,229,604</u>	 <u>1,785,934</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 189,788</u></u>	 <u><u>\$ 584,402</u></u>	 <u><u>\$ 1,666,584</u></u>	 <u><u>\$ 2,440,774</u></u>

Township of Rudyard, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended March 31, 2007

	Business-type Activities			Totals
	Enterprise Funds			
	Parks	Sewer	Water	
OPERATING REVENUES:				
Charges for Services	\$ 10,855	\$ 96,073	\$ 68,153	\$ 175,081
Other	1,599	-	10,000	11,599
Total Operating Revenues	12,454	96,073	78,153	186,680
OPERATING EXPENSES:				
Employee Wages & Benefits	-	23,129	23,129	46,258
Fees for Services	-	553	-	553
Contracted Services	5,354	1,297	2,439	9,090
Supplies	2,306	1,002	712	4,020
Fuel	-	803	803	1,606
Insurance	-	592	704	1,296
Repairs & Maintenance	15,325	419	1,876	17,620
Small Tools & Equipment	5,177	-	-	5,177
Depreciation Expense	7,858	28,713	51,940	88,511
Utilities	-	10,193	3,615	13,808
Training	-	40	115	155
Miscellaneous	150	74	75	299
Total Operating Expenses	36,170	66,815	85,408	188,393
Operating Income (Loss)	(23,716)	29,258	(7,255)	(1,713)
NON-OPERATING REVENUES (EXPENSES):				
Interest - Special Assessments	-	4,420	12,139	16,559
Interest on Deposits	6,490	5,938	4,743	17,171
Interest Expense	-	(10,931)	(26,495)	(37,426)
Total Non-Operating Revenues (Expenses)	6,490	(573)	(9,613)	(3,696)
Income (Loss) Before Transfers	(17,226)	28,685	(16,868)	(5,409)
Transfers Out	-	(5,000)	(10,000)	(15,000)
Changes in Net Assets	(17,226)	23,685	(26,868)	(20,409)
NET ASSETS, APRIL 1	207,014	268,841	1,031,989	1,507,844
Prior period Adjustment	-	74,016	224,483	298,499
NET ASSETS, MARCH 31	<u>\$ 189,788</u>	<u>\$ 366,542</u>	<u>\$ 1,229,604</u>	<u>\$ 1,785,934</u>

Township of Rudyard, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended March 31, 2007

	Business-type Activities			Total
	Enterprise Funds			
	Park	Sewer	Water	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers/payments (to) from other governmental units	\$ 12,454	\$ 80,100	\$ 68,977	\$ 161,531
Payments to Suppliers	(28,312)	(20,424)	(15,790)	(64,526)
Payments to Employees	-	(23,329)	(21,865)	(45,194)
Net Cash Provided (Used) by Operating Activities	<u>(15,858)</u>	<u>36,347</u>	<u>31,322</u>	<u>51,811</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:				
Operating transfers out	-	(5,000)	(10,000)	(15,000)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>-</u>	<u>(5,000)</u>	<u>(10,000)</u>	<u>(15,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Special Assessments principal received	-	12,079	8,676	20,755
Special Assessments interest received	-	4,420	12,139	16,559
Purchase of Capital Assets	-	-	(8,900)	(8,900)
Payment of Principal	-	(51,000)	(54,000)	(105,000)
Payment of Interest	-	(12,406)	(22,685)	(35,091)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(46,907)</u>	<u>(64,770)</u>	<u>(111,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Deposits	6,490	5,938	4,743	17,171
Net Cash Provided (Used) by Investing Activities	<u>6,490</u>	<u>5,938</u>	<u>4,743</u>	<u>17,171</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,368)	(9,622)	(38,705)	(57,695)
Balances - Beginning of the Year	<u>85,083</u>	<u>129,408</u>	<u>138,501</u>	<u>352,992</u>
Balances - End of the Year	<u>\$ 75,715</u>	<u>\$ 119,786</u>	<u>\$ 99,796</u>	<u>\$ 295,297</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (23,716)	\$ 29,258	\$ (7,255)	\$ (1,713)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	7,858	28,713	51,940	88,511
Change in Assets and Liabilities:				
Taxes Receivable	-	318	1,955	2,273
Accounts Receivable	-	(16,291)	(11,131)	(27,422)
Prepaid Expenses	-	(5,451)	(5,451)	(10,902)
Other Liabilities	-	(200)	1,264	1,064
Net Cash Provided (Used) by Operating Activities	<u>\$ (15,858)</u>	<u>\$ 36,347</u>	<u>\$ 31,322</u>	<u>\$ 51,811</u>

**Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2007**

	<u>Agency</u>
ASSETS:	
Cash & Cash Equivalents	<u>\$ 11,705</u>
 TOTAL ASSETS	 <u><u>\$ 11,705</u></u>
 LIABILITIES:	
Due to Other Governments	<u>\$ 11,705</u>
 TOTAL LIABILITIES	 <u><u>\$ 11,705</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Rudyard, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

Township of Rudyard, Michigan ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including public safety, community enrichment and development, public works, recreation and culture, and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Township of Rudyard, Michigan. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Township of Rudyard, Michigan.

The Township of Rudyard, Michigan has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 39 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which, rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Township of Rudyard, Michigan property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Township of Rudyard, Michigan as of the preceding December 31st.

The 2006 taxable valuation of Township of Rudyard, Michigan totaled \$28,777,159, on which ad valorem taxes levied consisted of 1.6199 mills for the Township operating, 2.000 mills for Roads, 1.00 for Black Topping, and 1.55 mills for Building Bond, raising \$46,616 for operating, \$57,554 for Roads, \$28,777 for Black Topping, and \$44,605 for Building Bond. These amounts are recognized in the respective General Fund, Special Revenue Funds, and Debt Service Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road Fund

This fund accounts for the revenue collected to repair and maintain roads within the Township.

Township Hall Debt Fund

This fund accounts for the tax revenues and the payments on the bonds of the Township Hall.

The Township reports the following major business-type funds:

Park and Recreation Fund

This fund accounts primarily for activity and improvements to the Township Park. This fund is financed primarily by user fees, interest and investments earnings.

Sewer Fund

This fund accounts for activities that operate the sewer system within the Township.

Water Fund

This fund accounts for the activities that operate the water system within the Township

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. The period of coverage for insurances at the Township differs with its fiscal year. Therefore, a portion of insurance premiums are recorded as prepaid expenses.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Sewer System	40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the board level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township’s deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents –			
Unrestricted	\$ 422,276	\$ 229,591	\$ 11,705
Restricted for Maintenance	-	65,705	-

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts)	\$ 195,017	\$ 11,705
Certificates of Deposit	103,528	-
Money Markets	<u>419,027</u>	<u>-</u>
Total	<u>\$ 717,572</u>	<u>\$ 11,705</u>

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
U.S. Treasury Bonds	\$ 54,764	\$ -	\$ 23,722	\$ 11,898	\$ 19,144
Total Investments	<u>\$ 54,764</u>	<u>\$ -</u>	<u>\$ 23,722</u>	<u>\$ 11,898</u>	<u>\$ 19,144</u>

Investment and Deposit Risk

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township’s policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$571,650 of the Township's bank balance of \$745,740 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
<i>Capital assets being depreciated:</i>				
Buildings	705,675	-	-	705,675
Equipment	173,640	7,398	-	181,038
Vehicles	<u>302,487</u>	<u>-</u>	<u>-</u>	<u>302,487</u>
Subtotal	<u>1,181,802</u>	<u>7,398</u>	<u>-</u>	<u>1,189,200</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(23,523)	(17,642)	-	(41,165)
Equipment	(71,686)	(17,219)	-	(88,905)
Vehicles	<u>(125,622)</u>	<u>(13,625)</u>	<u>-</u>	<u>(139,247)</u>
Subtotal	<u>(220,831)</u>	<u>(48,486)</u>	<u>-</u>	<u>(269,317)</u>
Net Capital Assets Being Depreciated	<u>960,971</u>	<u>(41,088)</u>	<u>-</u>	<u>919,883</u>
Total Capital Assets - Net of Depreciation	<u>\$ 990,971</u>	<u>\$ (41,088)</u>	<u>\$ -</u>	<u>\$ 949,883</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$ 15,475	\$ -	\$ -	\$ 15,475
<i>Capital assets being depreciated:</i>				
Buildings	138,691	-	-	138,691
Equipment	170,576	8,900	-	179,476
Vehicle	18,444	-	-	18,444
Sewer system	733,267	-	-	733,267
Water system	<u>1,915,965</u>	<u>-</u>	<u>-</u>	<u>1,915,965</u>
Subtotal	<u>2,976,943</u>	<u>8,900</u>	<u>-</u>	<u>2,985,843</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(75,504)	(6,935)	-	(82,439)
Equipment	(84,028)	(11,416)	-	(95,444)
Vehicle	(5,693)	(3,689)	-	(9,382)
Sewer system	(372,291)	(18,527)	-	(390,818)
Water system	<u>(587,932)</u>	<u>(47,944)</u>	<u>-</u>	<u>(635,876)</u>
Subtotal	<u>(1,125,448)</u>	<u>(88,511)</u>	<u>-</u>	<u>(1,213,959)</u>
Net Capital Assets Being Depreciated	<u>1,851,495</u>	<u>(79,611)</u>	<u>-</u>	<u>1,771,884</u>
Total Capital Assets – Net of Depreciation	<u>\$ 1,866,970</u>	<u>\$ (79,611)</u>	<u>\$ -</u>	<u>\$ 1,787,359</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities		
General government		\$ 30,693
Public Safety		<u>17,793</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 48,486</u>
 Business-type Activities		
Park		\$ 7,858
Sewer		28,713
Water		<u>51,940</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 88,511</u>

NOTE 5 - LONG-TERM DEBT

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by Township of Rudyard, Michigan. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds.

Changes in long-term debt during the year ending March 31, 2007 are summarized as follows:

	<u>Balance 04/01/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 03/31/07</u>	<u>Due Within One Year</u>
Governmental Activities:					
2004 General Obligation Unlimited Tax Bond, maturing serially in annual payments of \$10,000 to \$55,000, bearing interest at 4.375%, payable in semi-annual installments through May 2034.	\$ 790,000	\$ -	\$ 10,000	\$ 780,000	\$ 10,000
Business-type Activities:					
\$335,000 Sewer System Special Assessment Bonds, maturing serially in annual payments of \$10,000 to \$15,000, bearing interest at 5%, payable in semi-annual installments through October 2011.	\$ 50,000	\$ -	\$ 40,000	\$ 10,000	\$ 10,000

NOTE 5 - LONG-TERM DEBT (Continued)

	<u>Balance 04/01/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 03/31/07</u>	<u>Due Within One Year</u>
\$332,000 Sewer System Revenue Bonds, maturing serially in annual payments of \$3,000 to \$19,000, bearing interest at 5%, payable in semi-annual installments through October 2020.	213,000	-	11,000	202,000	11,000
\$324,000 Water System Special Assessment Bonds, maturing serially in annual payments of \$1,000 to \$9,000, bearing interest at 5%, payable in semi-annual installments through April 2031.	216,000	-	49,000	167,000	9,000
\$283,000 Water System Revenue Bonds, maturing serially in annual payments of \$1,000 to \$16,000, bearing interest at 5%, payable in semi-annual installments through April 2032.	<u>257,000</u>	<u>-</u>	<u>5,000</u>	<u>252,000</u>	<u>5,000</u>
Total Business-type Activities	<u>736,000</u>	<u>-</u>	<u>105,000</u>	<u>631,000</u>	<u>35,000</u>
Total Long-Term Debt	<u>\$ 1,526,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 1,411,000</u>	<u>\$ 45,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 10,000	\$ 33,906	\$ 35,000	\$ 33,650
2009	10,000	33,469	25,000	31,650
2010	15,000	32,922	27,000	30,375
2011	15,000	32,266	28,000	29,025
2012	15,000	31,609	28,000	27,625
2013-2017	95,000	146,455	156,000	115,875
2018-2022	125,000	121,953	154,000	74,075
2023-2027	155,000	92,422	88,000	39,800
2028-2032	195,000	54,151	71,000	13,125
2033-2037	<u>145,000</u>	<u>9,732</u>	<u>19,000</u>	<u>400</u>
Total	<u>\$ 780,000</u>	<u>\$ 588,885</u>	<u>\$ 631,000</u>	<u>\$ 395,600</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

TRANSFERS IN	TRANSFERS OUT		
	Sewer Fund	Water Fund	Total
General Fund	\$ 5,000	\$ 10,000	\$ 15,000
Total	<u>\$ 5,000</u>	<u>\$ 10,000</u>	<u>\$ 15,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE

At the time special assessments are approved, the amount of the assessments and related revenue are recorded representing the total assessment due. Collections are recognized as they occur over the life of the assessment, ranging from 10 to 40 years. Early payment is permitted. Unpaid assessments are added to property tax bills and are accorded treatment similar to unpaid property tax, in that the County revolving tax fund will pay those delinquent amounts. In the government-wide statements and proprietary fund statements revenue is recognized when the improvement is completed.

NOTE 8 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 9 - CONTINGENT LIABILITIES

The Township has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2007.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

Beginning net assets of the business-type activities were restated to account for special assessments receivable not previously included in net assets.

Net assets as of March 31, 2007	\$ 1,507,844
Prior period adjustment for recognition of special assessment receivable from prior years	<u>298,499</u>
Net assets, restated	<u>\$ 1,806,343</u>

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for the year ended March 31, 2007, is as follows:

	<u>Sewer</u>	<u>Water</u>
Nonoperating revenue (expense)	\$ (573)	\$ (9,613)
Operating income (loss)	29,258	(7,255)
Changes in net assets	23,685	(26,868)
Operating revenues	96,073	78,153
Operating expenses	66,815	85,408
Operating transfers – net	(5,000)	(10,000)
Depreciation	28,173	51,940
Total assets	584,402	1,666,584
Current liabilities	26,860	31,980
Long-term debt payable	191,000	405,000
Beginning net assets	342,857	1,256,472
Ending net assets	366,542	1,229,604
Cash provided by:		
Operating activities	36,347	31,322
Capital financing	(46,907)	(64,770)
Investing	5,938	4,743
Beginning cash	129,408	138,501
Ending cash	119,786	99,796

Required Supplementary Information

Township of Rudyard, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 59,900	\$ 59,900	\$ 60,733	\$ 833
Licenses & Permits	1,200	1,200	1,165	(35)
Federal Sources	-	-	1,544	1,544
State Sources	81,000	81,000	105,785	24,785
Charges for Services	4,500	4,500	6,750	2,250
Interest & Rentals	6,500	6,500	22,226	15,726
Other Revenue	8,500	8,500	24,257	15,757
TOTAL REVENUES	161,600	161,600	222,460	60,860
EXPENDITURES:				
Legislative:				
Township Board	32,775	32,775	30,344	2,431
General Government:				
Supervisor	10,350	10,350	10,291	59
Treasurer	11,700	11,700	10,416	1,284
Professional Services	7,000	7,000	467	6,533
Clerk	12,900	12,900	11,374	1,526
Assessor	17,440	17,440	17,692	(252)
Board of Review	950	950	512	438
Community Center	11,500	11,500	11,111	389
Elections	2,300	3,300	3,313	(13)
Cemetery	15,150	15,150	9,631	5,519
Total General Government	89,290	90,290	74,807	15,483
Public Works:				
Streets & Roads	28,800	40,785	40,785	-
Total Public Works	28,800	40,785	40,785	-
Public Safety:				
Constable	2,350	2,350	1,928	422
Fire Department	10,300	10,300	9,157	1,143
Zoning & Planning	1,600	1,600	1,600	-
Total Public Safety	14,250	14,250	12,685	1,565
Health & Welfare:				
Ambulance	20,000	20,000	14,319	5,681

Township of Rudyard, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Park	5,700	5,700	3,852	1,848
Total Recreation and Culture	5,700	5,700	3,852	1,848
Other Expenditures:				
Insurance	12,300	12,300	785	11,515
Other	54,200	51,515	30,308	21,207
Total Other Expenditures	66,500	63,815	31,093	32,722
TOTAL EXPENDITURES	257,315	267,615	207,885	59,730
EXCESS OF REVENUES OVER EXPENDITURES	(95,715)	(106,015)	14,575	120,590
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	15,000	15,000	15,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (80,715)	\$ (91,015)	29,575	\$ 120,590
FUND BALANCE, APRIL 1			196,175	
FUND BALANCE, MARCH 31			\$ 225,750	

Township of Rudyard, Michigan

Required Supplementary Information Budgetary Comparison Schedule Road Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 82,000	\$ 82,000	\$ 87,042	\$ 5,042
Interest & Rentals	200	200	422	222
TOTAL REVENUES	<u>82,200</u>	<u>82,200</u>	<u>87,464</u>	<u>5,264</u>
EXPENDITURES:				
Public Works	<u>77,200</u>	<u>77,200</u>	<u>62,700</u>	<u>14,500</u>
TOTAL EXPENDITURES	<u>77,200</u>	<u>77,200</u>	<u>62,700</u>	<u>14,500</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 5,000</u>	<u>\$ 5,000</u>	24,764	<u>\$ 19,764</u>
FUND BALANCE, APRIL 1			<u>17,252</u>	
FUND BALANCE, MARCH 31			<u>\$ 42,016</u>	

Other Supplementary Information

Township of Rudyard, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2007**

	Special Revenue Funds					
	Fire Department Fund	Ambulance Fund	Cemetery Fund	Fire Improvement Fund	Rudyard Historical Society	Totals
ASSETS:						
Cash & Equivalents	\$ 801	\$ 9,069	\$ 10,197	\$ 88,867	\$ 19,959	\$ 128,893
TOTAL ASSETS	<u>\$ 801</u>	<u>\$ 9,069</u>	<u>\$ 10,197</u>	<u>\$ 88,867</u>	<u>\$ 19,959</u>	<u>\$ 128,893</u>
FUND BALANCES:						
Unreserved						
Undesignated	801	9,069	10,197	88,867	19,959	128,893
TOTAL FUND BALANCES	<u>801</u>	<u>9,069</u>	<u>10,197</u>	<u>88,867</u>	<u>19,959</u>	<u>128,893</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 801</u>	<u>\$ 9,069</u>	<u>\$ 10,197</u>	<u>\$ 88,867</u>	<u>\$ 19,959</u>	<u>\$ 128,893</u>

Township of Rudyard, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended March 31, 2007

	Special Revenue Funds					Totals
	Fire Department Fund	Ambulance Fund	Cemetery Fund	Fire Improvement Fund	Rudyard Historical Society	
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ 204	\$ -	\$ 204
Local Sources	-	-	-	-	4,258	4,258
Charges for Services	-	-	500	-	-	500
Interest & Rentals	76	490	581	4,811	986	6,944
Other	540	200	-	4,742	3,680	9,162
TOTAL REVENUES	616	690	1,081	9,757	8,924	21,068
EXPENDITURES:						
Public Safety	929	-	-	-	-	929
Health & Welfare	-	-	1,092	-	-	1,092
Recreation & Culture	-	-	-	-	2,736	2,736
Capital Outlay	-	-	-	5,529	-	5,529
TOTAL EXPENDITURES	929	-	1,092	5,529	2,736	10,286
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(313)	690	(11)	4,228	6,188	10,782
FUND BALANCES, APRIL 1	1,114	8,379	10,208	84,639	13,771	118,111
FUND BALANCES, MARCH 31	\$ 801	\$ 9,069	\$ 10,197	\$ 88,867	\$ 19,959	\$ 128,893

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Township of Rudyard, Michigan
Rudyard, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Rudyard, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township of Rudyard, Michigan's basic financial statements and have issued our report thereon dated July 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Rudyard, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

Board of Trustees
Township of Rudyard, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Rudyard, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

We noted certain matters that we reported to management of the Township of Rudyard, Michigan in a separate letter dated July 31, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 31, 2007



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Board of Trustees
Township of Rudyard, Michigan
Rudyard, Michigan

We have audited the financial statements of the Township of Rudyard, Michigan for the year ended March 31, 2007, and have issued our report thereon dated July 31, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Rudyard, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Rudyard, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Personal Property Taxes

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Check Images

Due to changes in bank practices, the Township does not receive canceled checks. The Township should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Conclusion

This information is intended solely for the use of the Board of Trustees, federal awarding agencies, pass through entities, and management of Township of Rudyard, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive style.

Anderson, Tackman & Company, PLC
Certified Public Accountants

July 31, 2007